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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

8 April 1983

Australia: The State of Play on Aid to Vietnam

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Postelection Developments

Since assuming office on 11 March, both Prime Minister Hawke and Foreign Minister Hayden have publicly stated their interest in resuming Australian development aid to Vietnam. They have argued that denying aid reinforces Vietnam's total dependence on the Soviet Union, whereas resuming aid would give Canberra some leverage and encourage Hanoi to lessen its ties with Moscow. Although details of the aid proposal have not been released, the Labor Party's policy platform of July 1982 called for the resumption of two aid projects valued at \$9 million--a dairy farming venture and an irrigation program. These were suspended in January 1979 following the Vietnamese military intervention in Kampuchea.

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This memorandum was prepared by [redacted] Southeast Asia Division, Office of East Asian Analysis. It was coordinated with the National Intelligence Council. Comments are welcome and may be directed to the Chief, Southeast Asia Division, [redacted]

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ASEAN Reactions

For their part, the ASEAN countries apparently are awaiting details of the aid proposal before strongly condemning Canberra's position. So far, the ASEAN leaders have been content to simply express concern about Australia's announced intentions.

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Of those countries that have commented on Canberra's aid proposal, Thailand's reaction has been strongest. According to the Thai Government, renewed Australian aid would be seen as an acceptance of Hanoi's invasion of Kampuchea and "would absolutely prove an irritant to Australia's relations with Thailand and other ASEAN countries." In addition, Foreign Minister Sitthi, chairman of the ASEAN Standing Committee, publicly warned that such a deliberate diplomatic blunder might compromise Australia's ability to continue in its role as an important force for maintaining regional stability. We believe Thai and ASEAN suspicions of the Australian stance toward Vietnam were probably heightened by a perception that foreign Minister Hayden did not condemn in sufficiently strong terms the Vietnamese incursions into Thailand early this month.

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US Embassy reports immediately after the Hawke election indicated the Malaysians were content to wait for Canberra to clarify its Vietnam aid proposal,

Indonesia has refrained from any strong objections to the Australian proposal because, we believe, of Jakarta's current preoccupation with economic problems, Soeharto's reelection, and recent changes of senior officials in the government and the military. Jakarta's low-key reaction may also be tempered by its perceived special bilateral relationship with Vietnam and by a belief that, like Australia, Indonesia can serve as a bridge between Vietnam and ASEAN.

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Singapore has not publicly commented on the proposal. Given Lee Kuan Yew's strong support of the Coalition Government of Democratic Kampuchea, however, we anticipate a highly critical reaction to a decision to move ahead with the aid program. The Philippines, which distances itself from questions on Indochina, also has not commented but would probably associate itself with an ASEAN consensus.

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China's View

China's Premier Zhao Ziyang has stated that under the present circumstances any resumption of aid to Vietnam--even humanitarian assistance--would be detrimental to bringing peace to Southeast Asia. This frank criticism comes at a time when China is considering its first-ever investment in Australia, a joint mining venture. We expect the Vietnam issue to be among the principal topics of discussion between Zhao and Hawke during Zhao's visit to Canberra this month.

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Vietnamese Reaction

Besides welcoming Canberra's proposal Hanoi has made a pitch for a larger Australian role in Vietnamese-ASEAN relations. Vietnam's Foreign Minister Thach has even suggested that Canberra might be a suitable location for future negotiations between Vietnam and ASEAN on the Kampuchean question. Hanoi has qualified its support of Australia's initiative, however, by insisting that the proposed aid program be independent of any resolution of the Kampuchean conflict.

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Labor Party Politics

Hawke and Hayden's commitment to aid to Vietnam is dictated by internal Labor Party politics. Since the election, some members of the Labor Party have withdrawn support for the proposal and believe Hawke should follow suit, rather than compromise Australia's relations with ASEAN. Hawke, however, must contend with the party's outspoken left wing, which supports both the aid initiative and condemnation of Indonesia's takeover of East Timor.

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